

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

DIVISION OF CREDIT UNIONS

NEWSLETTER

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RESERVE REQUIREMENTS

The Division has recently received some inquiries regarding the applicability of the National Credit Union Administration's (NCUA) new reserving requirement versus the state of Missouri's (the State) requirements. Prior to the recent NCUA change, this was not an issue because both requirements were very similar. Both were based on statutory reserves to certain assets and both required transfers of the same percentages of gross income until certain levels of statutory reserves were achieved. Since NCUA's definition of risk assets was more inclusive than the definition of outstanding loans, compliance with NCUA requirements ensured compliance with the State statutes. Although the two requirements still address levels of equity, they are sufficiently dissimilar that both requirements must now be addressed by the credit union.

The NCUA requirement with some variations for new and "complex" credit unions addresses a minimally acceptable net worth position which is basically the net capital ratio and provides for actions that must be taken when the position deteriorates below certain prescribed levels. Credit unions net worth will be automatically calculated with the submission of the 12/31/00 5300 call report. At this time we only expect two to three credit unions will not meet this threshold.

The State requirement as outlined in RsMo 370.320 still requires minimum amounts to be in the statutory reserve account as a percentage of certain loans outstanding. With variations for new and certain asset size credit unions, transfers to the regular reserve, calculated as a percent of gross income, are required each accounting period until set thresholds are achieved.

What does this mean for credit unions? The State and NCUA are defining capital adequacy using two different measures. Simply put, the State requirement is reliant on just statutory reserves as

a percentage of certain loans outstanding and the NCUA is reliant on all reserves as a percentage of assets. For the first time in many years management will be responsible at least quarterly for determining compliance with both the NCUA and the State requirements.

Should you have any questions regarding this change please contact our office.

CREDIT UNION COMMISSION MEETS

The Credit Union Commission met on February 16, 2001. Commission members in attendance were Pat Yokley, Bill Humpfer, Sharon Ichord, Cathy Stroud, Lori Levine, John Hanneke, and Pat Macdonald. Others attending were, Peggy Nalls and Mike Winter, Missouri Credit Union System, Judy Hadsall and Gary Holmes, City Utilities Credit Union, Al Poertner and Mary Darlene Brown, Glass Workers Credit Union, and Ann Sheppard, Alliance Credit Union, Becky Kilpatrick, and Mike Bushman, Department of Economic Development, Rob Berry and John P. Smith, Division of Credit Unions, and Christy Kincannon, Attorney General's Office.

The Commission approved the minutes of the December 7, 2000 and January 4, 2001 meetings.

The Commission reviewed the field of membership expansion applications submitted by **City Utilities, Glass Workers and Alliance Credit Unions**. More than 3,000 potential members exist within the three groups. The Commission tabled action on **City Utilities Credit Union** pending submission of an amended application. The Commission exempted the groups submitted by **Glass Workers and Alliance Credit Unions** from the limitations on groups.

The Commission received a report on the

condition of Missouri credit unions from the Director, Division of Credit Unions.

The Commission approved the revision of 4 CSR 100-2.060 Minimum Capital Requirements and Delinquent Loan Reporting Procedures.

The Commission will meet on March 29 at 10:00 AM to hear the appeal of Springfield Telephone Employees Credit Union field of membership decision. The next regular meeting will be on May 24, 2001 at 10:00 AM. On that day the Commission will hear the appeal of **South Community Credit Union** at 1:00 PM and the appeal of **Central Communications Credit Union** at 3:00 PM.

FIELD OF MEMBERSHIP APPLICATION UPDATE

Springfield Telephone Employees Credit Union submitted an application to include those persons who reside or work in the 417 telephone Area Code and the 573 (bordered on the north by I-70) telephone Area Code. **South Community Credit Union** submitted an application for those who work or reside in Zip Codes 63109, 63111, 63116, 63123, 63125, 63128, 63129, and Crawford County, Franklin County, Gasconade County and Washington County. **Central Communications Credit Union** submitted an application for those persons who reside or work in the 816 telephone Area Code. The Director approved the expansion of **Springfield Telephone Employees Credit Union** to those in the 417 Area Code, but not the 573 Area Code. **South Community** and **Central Communication's** applications were approved without change. These decisions were published in the November 15, 2000 Missouri Register. On November 30, 2000 the Missouri Bankers Association and a local bank located in each of the three applicants' field of membership expansion areas filed appeals of the decisions to the Credit Union Commission. The Commission will hear the appeal of the **Springfield Telephone Employees Credit Union** decision on March 29, 2001, **South Community** and **Central Communications Credit Union** on May 24, 2001.

Common cents Credit Union's application to expand the field of membership to include the employees, affiliates, members, subsidiaries,

partnership, agents, and suppliers of the Catholic Knights and members of their immediate family and household members was approved by the Director on November 15, 2000 and submitted for publication in the December 15, 2000 Missouri Register. No appeal was made during the fifteen day period for possible appeal, so the decision is now final.

Kansas City Credit Union submitted an application to expand the field of membership to include Zip Codes 64106, 64108, 64118, 64119, 64128, 64129 and 64130. **Gateway Metro Credit Union** submitted an application for those living or working in the Missouri counties of St. Louis, St. Charles and Jefferson. **Missouri Electric Cooperatives Employees Credit Union** submitted an application for family members. **Educational Employees Credit Union** submitted an application for those who live or work in St. Louis County, St. Charles County, Jefferson County, Cape Girardeau County and Franklin County. These four applications were published in the December 15, 2000 Missouri Register. The Director approved the applications and his decision was published in the February 15, 2001 Missouri Register. A fifteen day period for appeal of the Director's decision must occur before the decision is final.

Mazuma Credit Union submitted an application for those who live or work in Clay County, Platt County and Jackson County. The application was published in the January 16, 2001 Missouri Register. The Director has approved the application and his decision will be published in the March 15, 2001 Missouri Register. A fifteen day period for appeal of the Director's decision must occur before the decision is final.

FROM THE DIRECTOR

I would like to thank the 165 credit unions that returned the Credit Union Surveys. For those who were unable to attend the credit union meetings, the presentation is available by contacting this office.

John P. Smith, Director